

Surety bond bill provides extra protection to construction industry subcontractors, suppliers

WASHINGTON, D.C. – The House of Representatives unanimously approved a bill that will help ease the worry of subcontractors and suppliers who complete federal projects, as well as protect taxpayers, in the event of non-payment.

U.S. Representative Richard Hanna (R-NY) introduced the legislation so small business owners won't have to worry about whether or not they will be paid for their services on federal projects, and taxpayers won't be left with the tab.

H.R. 3534, the Security in Bonding Act of 2011, will protect small businesses and taxpayers by strengthening the bonding process and removing opportunities for fraud and abuse. The federal government allows contractors to provide bonds from individuals who secure their obligations under the bond with a pledge of assets.

The Security in Bonding Act of 2011 closes a loophole that allowed unscrupulous businesses to offer inadequate assets to back a bond. The lack of oversight on non-corporate sureties has resulted in a number of documented cases where assets pledged to back the bond have been illusory or insufficient. An individual stock or residence, which can have tremendous fluctuations in value, are simply unacceptable assets to back a multi-million dollar government project. Unacceptable assets nearly cost one Colorado woman her construction company, and her employees their jobs.

Among the highlights of the bill:

- Requires non-corporate sureties to pledge specific and secure assets as required from others providing collateral to the federal government.

- Requires those assets be held by a government entity to ensure payments can be made in the event they are needed.

- Allows the government to ensure payment of subcontractors and suppliers.

Hanna said he's pleased the House passed this measure unanimously to close the loophole and protect honest small businesses.

"The Security in Bonding Act will protect the construction industry from bad practices that hurt their bottom line and hinder their ability to grow and create jobs," Congressman Hanna said. "I spent more than 30 years in the industry and saw first-hand the damage that can occur when inadequate bonding was secured for a project. It hurts everyone, particularly the small business suppliers and subcontractors that provide goods and services - yet risk not being paid for their work.

"This common-sense fix will strengthen the integrity of the bonding process. The construction industry has been one of the hardest hit sectors since the beginning of the economic downturn. This legislation provides more certainty and security for small businesses that deserve to get paid for their work. These companies should focus on how to expand and create jobs – rather than worry about whether or not they will get paid. The Security in Bonding Act allows more small businesses to focus on hiring and it protects the taxpayers who want to see their dollars spent wisely."